

~~TOP SECRET~~

~~TOP SECRET~~

COPY NO. 14

6 August 1947

COUNTRY REPORT ON PALESTINE

Report to the
SPECIAL AD HOC COMMITTEE

by the
SWNC Subcommittee for the Near and Middle East

DOCUMENT NO. 1
NO CHANGE IN CLASS. ☐
☒ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE:
AUTH: HRTG-2
DATE: 2/13/60 REVIEWER: G29804

Document No.	
No Change In Class.	<input type="checkbox"/>
<input checked="" type="checkbox"/> Declassified	
Class. Changed to: TS S C	
Next Review Date:	
Auth: HRTG-2	
Date: <u>7/6/75</u>	By: <u>365107</u>

~~TOP SECRET~~

~~TOP SECRET~~

290057

~~TOP SECRET~~E N C L O S U R ECOUNTRY REPORT ON PALESTINEReport by the State-War-Navy Coordinating Subcommittee
for the Near and Middle EastI. ANALYSIS OF THE SITUATION IN THE COUNTRY.1. Basic Forces.a. Economic.

The economy of Palestine is unique in the Middle East in that its agricultural and industrial development has proceeded at a relatively rapid rate with the aid of substantial amounts of foreign capital, much of it in the form of outright grants by Jewish philanthropic organizations. Its development has also been conditioned by the influx of European skills and trades which have determined in large measure the character of industrial and commercial growth.

Prior to the war, the capital of Jewish immigrants plus the contributions of Jewish organizations accounted for over half of all foreign exchange receipts. Between 1939 and 1944, an estimated \$100 million in foreign capital, principally from these sources, came into the country. The current rate of capital inflow is higher than that existing prior to or during World War II and probably exceeded \$60 million in 1946.

As a result of the inflow of foreign capital and the development of industry and agriculture by skilled European immigrants, the standard of living of the Jewish population has risen greatly above that of the populations of adjacent countries. There has also been a rise in the standard of living of the Palestinian Arab population, though not to a level comparable to that of the Jewish population.

Basically Palestine is poor in resources and its capacity to improve current standards of living, probably even to sustain them, will depend on a continuation of the influx of private foreign capital. Further large-scale

~~TOP SECRET~~

~~TOP SECRET~~

immigration would undoubtedly necessitate international financial assistance in order to create in Palestine conditions which would make possible the settlement of a large number of immigrants. The amount and duration of such assistance would depend on such a range of variables, both political and economic, as to render estimates at this time of little or no value, particularly prior to any recommendations which may be made by the UN. Under present conditions, no emergency financial aid is required, and the financial position of the country, externally and internally, is such that it appears reasonable to assume that capital requirements for development can be met through ordinary channels.

b. Political.

The present political situation in Palestine could hardly be worse. Terroristic activities in favor of the formation of a Jewish State have forced the mandatory power, Great Britain, to convert Palestine into an armed camp. These activities have seriously affected the normal life of the country. The Arabs, who form the majority in the country, are uneasily quiescent. A UN decision which they regarded as unfavorable might well precipitate civil war, and it is virtually certain that irregular bands would be recruited in neighboring countries, whose sympathy with the cause of the Palestine Arabs is too well known to necessitate elaboration here.

The Palestinian Arabs base their demand for immediate complete independence on their historical claim of having occupied the country for thirteen centuries. More recently, they point to the promise of independence given in the exchange of letters in 1915 between Sir Henry McMahon, British High Commissioner in Egypt, and the Sharif Hussein of Mecca, and to the Anglo-French Declaration of November 7, 1918, which promised them self-determination. The Balfour Declaration in 1917, the Arabs claim, is void, since it was made

~~TOP SECRET~~

TOP SECRET

without the consent of the Arabs, who formed the majority of those concerned and who constituted at that time ninety percent of the population of Palestine. The Arabs demand the fulfillment of the conditions set forth in the White Paper of 1939, in which England declared its intention to establish, within ten years, an "independent Palestine State," in which Arabs and Jews would share in the government. Such a government at present would give the Arabs the greater representation.

The Zionists also base their claims for an autonomous, independent Jewish State on historical grounds. In addition, they point to the Balfour Declaration, by virtue of which they claim to have been promised the establishment of a Jewish State in Palestine. The terms of the Mandate in 1922 stipulated the manner in which a Jewish National Home in Palestine should be encouraged and developed. The Churchill Memorandum, Command Paper of 1922, in interpreting the Balfour declaration, expressly stipulated that Palestine was not to become a Jewish State. However, most Zionists feel that neither the Balfour Declaration nor the terms of the Mandate have been fulfilled.

The critical condition of thousands of European Jews has given added impetus to pressure by Zionist leaders for a Jewish State in Palestine which would serve as a permanent haven for Jewish Displaced Persons.

The internal security of Palestine is of the greatest concern to the British. Serious Arab outbreaks, directed primarily against the Jews, occurred in 1920, 1921, and 1929. The Arab Rebellion of 1936 was directed primarily against the mandatory Government. The most recent dangers to internal security, which have arisen from Zionist terrorist activities in Palestine, began in 1944 and have continued to date. Attacks have been directed against British military personnel, military installations, communication centers, naval vessels, airfields, oil pipelines, and refineries. The British have

TOP SECRET

~~TOP SECRET~~

countered these activities with local curfews and the imposition of statutory martial law.

Attempted illegal Jewish immigration has continued on a large scale, in spite of counter-measures by the British Army, Navy and Air Force. The cost to the British Government of these counter-measures is considerably increased by the transshipment of, and maintenance of camps in Cyprus for, the intercepted illegal immigrants.

2. Objectives and Methods of Other Great Powers.

Great Britain as the Mandatory Power can be said to have two principal objectives in Palestine at the present time: (1) Restoration of peace and the maintenance of law and order, with a minimum of friction between Jew and Arab, and with the least possible damage to the British position in the Arab world and to relations with the United States; (2) the retention of bases or some form of sphere of influence in Palestine as a strategic link in the road of empire. In the first objective Great Britain has been only moderately successful, and there is doubt whether she will achieve the second, at least in any satisfactory form.

Russian objectives in Palestine are somewhat obscure but presumably are directed towards (1) Eliminating British influence in this area (2) conversely, extending communist ideology to the maximum extent. Russian methods are typically opportunistic. Gromyko's attitude at the recent special session of UNGA was considered by the Zionists to indicate greater support of their aspirations, but others regard it as being but another example of the USSR's insincere political maneuvering.

France has relatively little interest in Palestine, except as one of the original protectors of the Holy Places. Her interest has been traditionally further north in the Levant States.

~~TOP SECRET~~

~~TOP SECRET~~

The Arab States have played the leading role in opposing Zionist aspirations in Palestine. The greatest unifying force behind the Arab League is the fear of political Zionism and fear of Zionist "imperialism", which they visualize as involving Jewish expansion into Transjordan and even into other Arab States. All Arabs share this fear, and the League has been instrumental in coordinating such anti-Zionist activities as the boycott of Zionist goods and the scheme for saving Arab lands in Palestine.

II. ANALYSIS OF ASSISTANCE ALREADY RECEIVED INCLUDING MOST RECENT DATA AVAILABLE.

The Palestine Government has made no request for, nor received, any aid. The Mandatory Power, Great Britain, has, however, indicated that American help would be needed if certain American proposals for immigration were carried out, and if large-scale public works should be undertaken.

III. U.S. OBJECTIVES IN THE COUNTRY.

Briefly stated, U.S. objectives in Palestine are to secure the greatest possible measure of self-government for the people of Palestine, leading to ultimate independence, under conditions in which Jews shall not dominate Arabs nor Arabs dominate Jews, and in which the spiritual and cultural interests of Jews, Christians and Moslems shall be equally respected. The whole question of Palestine is now under study by a special committee of the UN, and while the past United States position with respect to immigration and allied subjects is well known, we have now taken the position that during the period of consideration by the special committee it would be premature to announce a policy with regard to the substance of the question and thereby possibly limit full utilization of the Committee's report. However, it must be pointed out that any solution of the problem to which the United States can lend support must take into consideration the strategic importance of maintaining the friendship of the Arab people.

~~TOP SECRET~~

~~TOP SECRET~~IV. CONSIDERATION OF ALTERNATIVE MEANS OF REACHING OBJECTIVES.1. Economic.

Owing to the uncertainty over the United Nations decision with regard to the political future of Palestine, it is impossible to work out a specific economic program at the present time. Should a viable solution be adopted, it would be necessary to work out a broad program for the economic development of Palestine, in which the United States, because of its long professed interest in the country, would undoubtedly be called upon to participate.

2. Political.

Our political objective is to do what we can to bring about cooperation and peace in Palestine. To that end, it is our intention to support any plan for the future of Palestine which is just, reasonable and workable, and which would promote the independence and the social and economic well-being of the inhabitants of Palestine.

3. United Nations.

The question of Palestine is at the present time under active consideration by a United Nations Special Committee. This Committee will make its report by September 1, 1947. The General Assembly of the United Nations at its session beginning September 15, 1947, will consider this report and make recommendations concerning the future government of Palestine.

While it is impossible at this stage to predict what form the future government of Palestine will take, it is possible that the United Nations will exercise important functions with respect to Palestine. Thus, it may well be that the United Nations will be an increasingly important medium through which the United States must act in working out its policy toward Palestine.

During the period while the United Kingdom is the Mandatory Power or may be the administering authority of Palestine under trusteeship, the United Kingdom would be the

~~TOP SECRET~~

~~TOP SECRET~~

channel through which economic and technical assistance from the United Nations and its agencies for Palestine would be directed. Technical assistance by ECOSOC and the specialized agencies, in the modernizing of agriculture and industry and in extending health, welfare and educational services, might well be recommended as complementary to any financial aid rendered by the United States, the Bank or the Fund. However, because of the present uncertainty concerning the decision which may be taken by the General Assembly, detailed recommendations with respect to assistance to be furnished by United Nations agencies in Palestine cannot be made at this time.

4. Other O.I.C.

Since the basic need in Palestine is for skilled technicians, particularly Arab, to improve agricultural and health conditions and develop native industries, the United States objective of economic and social well-being for all Palestinian inhabitants could be attained in part through a program of educational and technical assistance. However, in order to implement the broader objective of helping to bring about cooperation and peace in Palestine, the United States should make every effort to divorce such informational, cultural and technical assistance from politics. All elements of the population should benefit from this aid in proportion to their needs.

U.S. cultural and technical assistance could take the form of granting scholarships to Palestinian students to be used in American institutions, both in the U.S. and in the Near East, and sending to Palestine technical specialists from the U.S. to assist in the development of the country, particularly in the fields of agriculture and industry. The extent of such a program would depend upon future political and economic developments in Palestine and the degree of responsibility assumed by the U.S. in that country. Another factor which

~~TOP SECRET~~

~~TOP SECRET~~

would materially affect such a program is the extent to which philanthropic and religious organizations would participate in the development of the country.

V. MAGNITUDE, NATURE, AND TIMING OF THE MEASURES REQUIRED WITHIN THE NEXT THREE TO FIVE YEARS TO REACH THESE OBJECTIVES.

Here again the uncertainty with regard to the future status of Palestine renders impossible any estimate as to the nature and magnitude of measures to be taken.

VI. PROBABLE AVAILABILITY OF ECONOMIC AID FROM EXISTING SOURCES UNDER PRESENT POLICIES.

1. U.S. Sources.

Indirect aid to the Palestine Government is supplied through subscriptions raised by various Jewish groups in the United States. These are substantial, averaging \$20 to \$25 million per annum during the last five years. Total American contributions for 1946 are estimated at about \$30 million and for 1947 may reach \$40 million. In 1948, the figure is expected to exceed the 1947 estimate by possibly \$10 million. In addition further indirect aid is furnished through contributions for the maintenance and rehabilitation of prospective Palestinian immigrants.

2. Other Countries.

Great Britain, as the mandatory Power having primary responsibility for the country, has incurred substantial expenditures during and after the war for defense and internal security, having been forced to divert funds for this purpose which would have otherwise been used for the economic and social development of the country. Great Britain's expenditures for defense and security are roughly estimated to have averaged about £20 million per year over the last five years.

3. International Sources.

At present, because of its status as a mandated country, Palestine is not eligible for help from the International Bank.

~~TOP SECRET~~

~~TOP SECRET~~VII. ADDITIONAL MEASURES REQUIRED FROM THE U. S.

These measures are also unpredictable. It may be anticipated that the United States will be asked to help if the United Nations is able to reach a satisfactory solution, but the exact nature of such additional measures cannot at present be determined.

VIII. NATURE OF ARRANGEMENTS WITH THE FOREIGN GOVERNMENTS TO ASSURE ACCOMPLISHMENT OF OUR OBJECTIVES IN TAKING SUCH MEASURES.

These arrangements are also unpredictable, but would be presumably within the framework of the United Nations.

IX. EFFECTS UPON THE COUNTRY AND UPON U.S. FOREIGN POLICY IN U.S. REFUSAL TO GRANT AID OR FAILURE OF PROGRAM UNDERTAKEN.

This part is also academic under existing circumstances.

X. POSSIBLE EMERGENCY SITUATIONS WHICH SHOULD BE ANTICIPATED AND RECOMMENDED COURSE OF ACTION OF U.S.

There is a possibility that a plan might be achieved for the solution of the Palestine problem the success of which would hinge on immediate and substantial assistance from foreign sources. The United States should be prepared to back up its longstanding interest in Palestine with substantial aid, if the plan which is evolved for the future of Palestine is just, reasonable and workable and which would promote the independence and the social and economic well-being of the inhabitants.

~~TOP SECRET~~

~~TOP SECRET~~A P P E N D I XSummary

Since the establishment of the Mandate economic development in Palestine has been rapid, determined to an unusually high degree by the influx of large sums of foreign capital and thousands of skilled European immigrants. Both capital and immigrants have been preponderantly of Jewish origin and have resulted in a notable rise in the standard of living in Palestine, that of the Jewish community; however, attaining a considerably higher level than that of the Arab.

Politically the situation in Palestine has reflected the sharply conflicting claims of the Jews and Arabs to dominant control. The Jews base their claim to Palestine upon historical association, the Balfour Declaration of 1917, and the Mandate of 1922. The Arabs found their claim upon thirteen hundred years of occupation, British assurances given during World War I, and latterly the British White Paper of 1939 presaging independence for Palestine within ten years, when the Arabs would still be in the majority. These conflicting claims have resulted in fairly frequent, and sometimes sustained, outbreaks of violence, not only between Jews and Arabs but, during the past ten years, by one or the other group against the mandatory power.

Great Britain's objectives in Palestine have been two-fold: (1) as mandatory power, to maintain law and order and restore peace; (2) to retain bases or some form of sphere of influence in Palestine as a strategic link in the road of empire. Russian objectives are somewhat obscure but presumably directed towards elimination of the British and increase of Russian influence. The Arab States have been actively opposed to Zionist aspirations in Palestine, their opposition arising in part from fear of possible Jewish expansion beyond Palestine into neighboring areas. U. S. objectives in Palestine are to secure the greatest possible measure of self-government for the people of Palestine, leading to ultimate independence, under conditions in which Jews shall not dominate Arabs nor Arabs dominate Jews, and in which the

~~TOP SECRET~~

~~TOP SECRET~~

spiritual interests of Jews, Christians and Moslems shall be equally respected. However, it ~~might~~^{MUST} be pointed out that any solution of the problem to which the United States can lend support must take into consideration the strategic importance of maintaining the friendship of the Arab people.

While the future government of Palestine is under consideration in the UN, the formulation of a program to bring about US objectives in that country is not feasible, and announcement of a policy would be premature and might limit full utilization of the report of the UN Special Committee. Should a viable solution for the Palestine question be adopted, the attainment of independence and of social and economic well-being for all the inhabitants of Palestine might be facilitated by assistance from the US, directly or through the UN, particularly in technical or cultural fields. The maintenance or improvement of the current standard of living will depend on a continuation of the influx of private foreign capital, and further large-scale immigration would undoubtedly necessitate international financial assistance. However, while the future of Palestine is uncertain, it is impossible to estimate the extent of the financial, cultural and technical aid which will be required by Palestine in order to achieve the above goals.

~~TOP SECRET~~